

EXHIBIT D

DEPARTMENT PAYMENT PROCESS / VOUCHERS (CHAPTER 7)

CHAPTER 7

PAYMENT
PROCESS/
VOUCHERS



CHAPTER 7 - PAYMENT PROCESS / VOUCHER

7.10 Voucher Instructions

After written notice to proceed is given, work can begin on the project. As the project proceeds, the consultant will need to submit vouchers for payment. If the consultant desired for payment to be sent to an address other than the office address given in the MOA, a remittance address should have been included in the MOA. The consultant will be furnished a copy of the voucher format that is required by the Department (Figure 7_). These forms may be replicated by the consultant on computer spreadsheets which have the capability to produce a similar format. As the project proceeds, the consultant will submit vouchers in duplicate: the original for Fiscal Division and one copy for the project coordinator. An extra copy should be submitted for each additional division that will be reviewing the voucher. The voucher is to be date stamped when received by the project manager, reviewed as expeditiously as possible, and one copy sent to the Fiscal Division within seven (7) calendar days, so that it can be paid within the thirty (30) calendar day requirement. If errors are found in a voucher that require the consultant to submit a revision, a new date received will be stamped on the voucher on the date the revision is received.

The usual frequency for submittal of vouchers for cost plus net fee contracts is once a month. On other types of contracts, the vouchers shall be submitted in accordance with the schedule set forth in the MOA. Vouchers are to be submitted only when accumulated charges exceed \$500.00. Amounts entered on pages 1 through 3 of the Consultant Estimate Voucher (Figure 7_) should be rounded to the nearest dollar.

When the Consultant Estimate Voucher contains billings from subconsultants, the first sheet of each subconsultant's voucher should be distinctly labelled "SUB-CONSULTANT" in large, bold letters.

The consultant is required to submit monthly progress reports to show the status of the services. The consultant should use any existing standard VDOT progress report forms (Figure 7_). The progress report should show the percentage of work accomplished, a narrative of the actual work performed this period and significant activities anticipated for the next month. These progress schedules should note important milestones along the life of the project. The consultant should submit his progress schedule format to the Project Manager for approval prior to the first voucher submittal. The progress of the services is reviewed to see that consultant is on schedule and will complete the services on schedule. If it is felt that proper progress is not being made, the consultant is notified and reminded that they must meet the time schedule specified in the Memorandum of Agreement. No Consultant's Estimate Voucher will be paid without a progress report covering the period of the voucher. No voucher should be approved for payment when the percentage of money requested is more than 10% ahead of the actual percentage of completion of the work.

When vouchers show a percentage or stage beyond a point, which by prior agreement, certain reviews should have been completed and have not, payment should not be approved and the consultant should be questioned.

On projects involving bridges, the progress report must indicate the percent completion of each individual bridge.

Consultant Contract Data Tracking information shall be submitted by the consultant with the voucher (Figure 7_).

Once the voucher and progress schedule have been checked by the project coordinator and found to be in agreement, Forms FD-AP-01 and FD-AP-02 must be filled out with the correct information from the voucher (Figure 7_). The vouchers, FD-AP-01, FD-AP-02 and progress reports are then sent to an individual designated by the Division Administrator for approval and signature. If review and approval by other divisions is required, the voucher and progress report must be sent to the other divisions.

Once the voucher, FD-AP-01 and FD-AP-02 have been approved, a letter (Figure 7_) must be sent to the consultants, informing them that the voucher was approved and has been processed for payment. The voucher information and the contract data is then entered into FMS II

One signed voucher (original), along with a copy of the letter, for payment (Figure 7_) are sent to Fiscal Division. The FMS II data is to be entered within two working days of the date the voucher is submitted to the Fiscal Division.

The Department [5] does not withhold retainage on consultant vouchers. Prime consultants should be encouraged to not withhold retainage on subconsultants.

After current FAR rates are provided to the Department, final audits will be completed within twelve (12) months of satisfactory completion of the contract as defined in the MOA. [5]

When the final voucher is sent to Fiscal Division, the transmittal letter should say it is the final voucher and closes out the project. The first sheet of the voucher should be marked "Final Voucher."

7.20 Review of Invoices

The Project Manager will review the invoice to determine if the progress claimed by the consultant is reasonable and consistent based on knowledge of the project progress. The Project Manager will also assure the billing is reasonable and in accordance with the Agreement and other written authorizations. No consultant is to be allowed to perform or invoice for any services beyond the original or supplemented contract scope of work without a fully justified and properly executed supplemental agreement.

Review primarily consists of verifying the percentages of completion upon which the voucher is based, verifying current overhead rates, reviewing nonsalary direct costs and checking math.

The purchase of items to be used on the project but which are not consumed by the project and are kept by the consultant for use on other projects are not billable to the project. These items include computers, software, specifications or reference books.

VDOT pays reasonable direct costs on cost plus net fee contracts. A consultant spending \$30-\$40 on a single meal is not considered to be a reasonable cost. Per diem rates shall be in accordance with Fiscal Division's guidelines for state employees.

The Department does not pay for consultants to relocate personnel to a Virginia office in order to perform work in a Virginia office. If a consultant is required to furnish on a long term basis a full time Resident Engineer or construction inspectors during the construction of VDOT's project, relocation expenses will be reimbursed in accordance with the Office of the Comptroller's "Moving and Relocation Policies and Procedures." (Figure 7_). (www.state.va.us/doa/docs/procedures/pdfdocs/20345.pdf)

Consultants are not permitted to work overtime unless authorized to do so in writing by the Project Manager. Non-exempt employees may be paid at time and a half. Others are paid at their regular rate. Overtime is generally not allowed except in special cases where VDOT requires the project to be completed on a rush schedule and where it is the only way the completion date may be met. A consultant's own scheduling problems are not justification for overtime. A copy of the letter authorizing overtime should be sent to Fiscal Division.

Consultants are not permitted to use any of the contingency without the written permission of VDOT.

Common voucher errors made by consultants:

- Salaried payroll costs are not supported with adequate documentation.
- Sub-consultant work not clearly distinguished from prime.
- All phases/stages of work must be included with each estimate.
- Errors in net fee percentage.
- Errors in addition.
- Previously billed amounts incorrect.
- Exceeding allowable hotel and M&IE expenses.

7.30 Annual FAR Audits

Upon annual submittal of FAR audit information and the approval of a new overhead and payroll burden rate by Fiscal Division, the consultant must start using the new rate on future billings for cost plus net fee contracts. The consultant is not permitted to use the new rate to go back and make adjustments for work previously billed. This

adjustment will be made at the time of final audit. New overhead rates do not change the maximum compensation payable in the contract.

7.40 Voucher Package Distribution

Voucher	1 - Project File 1 - Fiscal Division (original) 1 - Other Divisions Involved
Cover Letter & Progress Report	1 - Project File 1 - Central File (original) 1 - Other Divisions Involved
CTIS Data	1 - Project File 1 - FMS II Input Person 1 - Other Divisions Involved (if requested)

7.50 Interim and Final Audits

The Department requires a final audit by the Fiscal Division after the completion of the project on cost plus net fee and fixed billable rate contracts. This is accomplished as follows:

General

- Prepare a schedule of the consultant's estimate vouchers listing and summarizing the following costs:
 - Direct Salaries
 - Payroll Burden and Overhead
 - Net Fee
 - Non-salary Direct Costs
 - Sub-consultant costs
 - Sub-total of Amount Billed
 - [5]
 - Amount Due Consultant
- Verify the hourly rates used to develop the average rate or fixed billable rate per classification to determine that they were not misrepresented.
- Review contracts to verify that the direct costs billed are allowed in accordance with the terms of agreement.
- Verify the net-fee billed is in compliance with the agreement and any supplements.
- Determine that the consultant has complied with prior years audit exceptions.

- Verify hours billed and labor cost on the estimate voucher by reviewing consultant time sheets and payroll records.
- Verify non-salary direct costs to source documents, i.e., travel expense vouchers, rental agreements, paid invoices, etc. Verify that they are allowable by the terms of the agreement.
- Review all billed costs for reasonableness. Question costs that are not considered reasonable and require justification for the costs from the consultant.
- Verify that the proper rates were billed on fixed billable rate contracts.

Payroll Burden and Overhead

Prepare a schedule of provisional overhead rates billed versus audited overhead rates, adjusting any differences in accordance with the terms and conditions of the contract.

Exit Conference

Upon completion of the audit, review audit findings with controller or appropriate consultant representative.

Audit Report

Report audit findings to appropriate individual of the consulting firm, with copy of report to contracting officer.

7.60 Items Eligible For Reimbursement As Consultant's Costs

- A. When the method of compensation includes payment of the consultant's actual cost, the following items (B thru F) of cost are reimbursable to the extent that they are in compliance with Federal Acquisition Regulations, Part 31 and Federal-Aid Policy Guide 23 CFR 172A.
- B. Direct Salary Costs are the Direct Productive Payroll (actual wages paid all employees of the consultant regardless of job classification when directly engaged in work necessary to fulfill the terms of the agreement) less the premium portion of such wages paid for overtime.
 1. Related costs which are normally paid by the consultant may include items such as:
 - a. Wages paid or accrued for vacation time.
 - b. Wages paid for holidays and for sick, military, jury, and other authorized leave.

- c. Group and Workmen's compensation insurance costs.
 - d. Bonus, incentive compensation or deferred compensation which is an established practice of the firm and which does not exceed the Department's policy limiting these costs to what it considers "reasonable" in accordance with the Federal Acquisition Regulations.
 - e. Social Security and Unemployment taxes.
 - f. Pension or retirement benefits.
 - g. Group Medical Plan and Life Insurance Premiums.
2. The allocation of the related costs shall be in accordance with the consultant's established policy and with accepted accounting practices. Generally, these costs will be expressed as a percentage of the Direct Salary Costs.
 3. Principals, partners, associates, CEOs, and similar titles are considered to be administrative and/or management functions whose costs have been included in the overhead markup of the rates for technical categories. Salaries of principals of the firm who perform technical services on the project may be included in the Direct Salary Costs for all times they are productively engaged in work necessary to fulfill the terms of the agreement, providing this is the consultant's normal practice and that the cost is not also included in Indirect Salary Costs. The maximum amount of a principal's salary, which the Department will reimburse either directly or indirectly, shall be as determined by the Department's policy as to what is considered "reasonable" in accordance with Federal Acquisition Regulations. If principals of the consultant perform routine services, such as standard design and drafting work which could be performed by lesser-salaried personnel, the wage rates billed directly for those services shall not exceed those rates paid to the consultant's salaried personnel performing the same or similar work. A principal of a firm may perform the function of a project manager, especially in a small firm. In larger firms, a principal, associate or similar titled person may be assigned this responsibility. Regardless of title, this function is the same and the marked-up rate should be comparable to project managers of other firms in Virginia.
 4. Premium Wages for overtime paid to employees, in accordance with the consultant's normal practice and directly chargeable to the project, may be reimbursed as Direct Productive Payroll with no surcharge for related costs provided the consultant obtained prior written approval from the Department to work overtime.
- C. Direct Non-salary Costs are actual and reasonable non-salary costs incurred specifically in fulfilling the terms of the agreement, such as:
1. Travel, food and lodging, including automotive equipment rentals, fuel, maintenance, tolls, mileage or per diem paid by the consultant for personal expenses of only his own employees in accordance with his normal company policy and Department limits. Costs of alcoholic beverages are unallowable.

2. Communications, including telephone, fax, telegraph, postage, parcel post, air freight and package express.
 3. Reproductions including photographs, prints and offset work.
 4. Outside professional service and laboratory charges, including those for surveys, photogrammetry, soils investigations and testing and other charges for engineers, surveyors, lawyers, sociologists, economists, model makers, architects, scientists and other specialists. These charges must be authorized in advance by the Department to be reimbursable.
 5. Electronic computer charges including those for computers and related equipment operated by the consultant and those for outside computer services, if consistently billed as a direct cost to all clients. Rates for computers and related equipment operated by the consultant shall be in accordance with established rates charged to outside clients (not to exceed \$6.00 per hour) for similar services, except that such rates shall be billed at cost (no profit) since the consultant's profit is used in the consultant's billing.
 6. Special Equipment as authorized in writing by the Department and materials required for and used solely in the fulfillment of the agreement. The consultant shall deliver all such equipment and material to the Department upon completion of the work.
 7. Special insurance for the project that is requested in writing by the Department.
 8. Rental charges for equipment owned by the consultant at his established rates, reduced by the portion of the rate which is profit and less any portion charged elsewhere to indirect costs.
 9. Costs of renting vehicles or equipment. Costs, such as maintenance and minor or running repairs incident to operating such rented items, that are not included in the rental rate. Costs incident to major repair and overhaul are unallowable.
- D. Indirect Costs (or overhead costs) are the remaining costs of the consultant's business operations after the assignment to all his clients of all Direct Costs, exclusive of costs ineligible for compensation such as uncollectable charges, advertising, amusement, entertainment, contributions, donations, interest on borrowed money and the like. The consultant's established practices for allocation of eligible Indirect Costs to each project shall be used if in accordance with generally accepted accounting procedures. In general, these costs will be expressed as a percentage of the Direct Salary Costs charged to the consultant's clients.

E. Indirect Salary Costs are the actual wages paid to all employees of the consultant for work not directly chargeable to individual clients plus the same related costs as previously outlined in Direct Salary Costs if not included in Direct Cost, such as:

1. Wages paid for preparation of proposals.
2. Severance wages paid to employees.
3. Wages paid for negotiating (not promoting) new business.
4. Research and development wages. This cost is primarily the salaries of the consultant's personnel in the development of new computer programs and labor saving devices. Eligible costs will be as defined in Part 31 of the Federal Acquisition Regulations.
5. Training and education wages. This cost consists of the salaries paid employees while attending classes at accredited colleges or universities for post graduate work in subjects related to the consultant's practice. Also included in this category is attendance at meetings and seminars conducted by recognized technical and professional organizations.
6. General office administration and supervisory salaries.
7. Salaries in connection with the recruitment of employees.
8. Salaries paid to furnish access to or copies of records, if not reimbursed by the Client.
9. Salaries of principals for time actively engaged in the preparation of proposals and preagreement negotiation (not promotion) of new business.

F. Indirect Non-Salary Costs are all non-salary costs of the Consultant's business operations eligible for compensation (Section C.) not directly chargeable to individual clients, such as:

1. Travel, food and lodging (see Direct Non-Salary Costs).
2. Communications, including telephone, fax, telegraph, postage, parcel posts, etc.
3. Reproduction costs, including blueprints, photography, photostats, etc.

4. Electronic computer charges including those for computers and related equipment operated by the consultant and those for outside computer services if not consistently billed as a direct cost to all clients. Computer costs in connection with research and development, bookkeeping, new business negotiation and Non-Salary Costs. (Section C.5). Eligible research and development costs will be as defined in Part 31 of the Federal Acquisition Regulations.
5. Professional service costs. This includes costs of professional services rendered by members of a particular profession such as legal and accounting, which are necessary to the proper operation of the business, but who are not members of the consultant's staff.
6. Sundry taxes levied by Federal, State and Local agencies exclusive of Federal Income Tax.
7. Premiums of all business insurance other than those included in direct costs to clients.
8. Office supplies.
9. Rent, heat, power, light and janitorial services.
10. Licenses and dues in technical and professional organizations.
11. Maintenance and repair of office equipment.
12. Rentals of equipment (see Direct Non-Salary Costs).
13. Costs of meetings and conferences.
14. Library expenses, including technical books, magazines, journals and supplies in connection with education and training.
15. Cost of duplicating records as required by the client.
16. Relocation costs for employees.
17. Depreciation.
18. Recruiting expenses including advertising agency fees and travel and subsistence incidental thereto.
19. Life insurance premiums in lieu of additional compensation for key employees and principals, provided the beneficiary is the employee's estate or his relative and is not the consultant or another key employee or principal of the consultant.

7.70 Final Payment

If, as a result of the final audit, the consultant owes the Department a reimbursement of some payments, Fiscal Division will secure the reimbursement. If the Department owes the consultant additional compensation, the Project Manager will have the consultant submit another Consultant Estimate Voucher to claim the payment. If the project has been closed-out to charges, the Project Manager will have to contact the funding division and have the project opened for additional charges.

